

*North Carolina Department of Insurance*



**OFFICE OF STATE FIRE MARSHAL**

*Wayne Goodwin, State Fire Marshal*

# *State Fire Protection Grant Fund*

*Continuation Review Report*

*Per S.L. 2015-241 Sec.6.20*

*March 14, 2016*

# State Fire Protection Grant Fund

## Program Objective

- Compensates local Fire Depts for fire protection of State assets  
*(non-State asset protection funded via property taxes)*

## Program Scope

- 16,483 assets covered statewide
- Total property value: \$35,396,814,941



# Program Administration & Funding

Administered by NCDOT – OSFM Risk Management Division

Three sources of funds:

- General Fund
- Highway Fund
- University of North Carolina receipts



# History of the Fund – Initial Statutory Basis & Objective

- **1983**

- Executive Budget Act (G.S. 143-3.7) transferred \$1,450,000 annually from the General Fund to the Office of State Budget and Management (OSBM)
- Purpose: **Compensate political subdivisions of the State for providing local fire protection to State-owned buildings and their contents**
- Directs OSBM to develop equitable and uniform method for distributing funds
- OSBM set allocation schedule to compensate local fire departments based on the State-owned property values protected
  - Grants were made based on \$0.000485 per dollar of property value protected
  - By 1995 State property values had tripled, grants now \$0.000169 per dollar



## History of the Fund

- **1996**

- OSBM & State Property Office (DoA) study of Fund
- Recommendations:
  1. Increase availability of grants funds
  2. Reallocate grants based on current property values protected
  3. Increase funds each biennium
  4. Update property values each biennium



## History of the Fund

- **1997**

State Fire Protection Grant Fund created in OSBM

- **Objective:** To compensate local fire districts and political subdivisions of the State for providing fire protection to State-owned buildings (G.S. 58-85A-1)
- 1997 Funding:
  - General Fund appropriation – \$3,080,000
  - Highway Fund – \$150,000
  - University of North Carolina receipts – \$970,000



## History of the Fund

- **2007**
  - G.S. 58-85A-1(c) modified maximum amounts
    - \$4,180,000 – General Fund appropriations
    - \$158,000 – Highway Fund
    - \$1,345,000 – University of North Carolina receipts

*Note: Some years' appropriations less than the statutory maximums*



# History of the Fund

## *Change of Administrating Agency*

- **2011**
  - State Fire Protection Grant Fund transferred from OSBM to DOI (S.L. 2011-145)
- **2012**
  - DOI directed to study how the fund distribution method for the State Fire Protection Grant Fund could best align with G.S. 58 85A 1(b) direction that distribution be equitable and uniform. (S.L. 2012-142)





# Current Funding Amounts

## Statutory Provided Funding

Funding Source	Funding Amount	% of Funding
General Fund	\$ 4,180,000	73.55%
DOT	\$ 158,000	2.78%
UNC Receipts	\$ 1,345,000	23.67%
<b>Total</b>	<b>\$ 5,683,000</b>	<b>100.00%</b>

## Actual Funding

Funding Source	Funding Amount	% of Funding
General Fund	\$ 3,777,513	71.54%
DOT	\$ 158,000	2.99%
UNC Receipts	\$ 1,345,000	25.47%
<b>Total</b>	<b>\$ 5,280,513</b>	<b>100.00%</b>



# Recent Fund Levels

Since the transfer of the Fund from OSBM to DOI the fund has received allocations as follows:

Funding Source	2015	2014	2013	2012	2011
State Appropriation	\$ 3,777,513	\$ 3,777,513	\$ 3,703,193	\$ 3,677,513	\$ 3,677,513
UNC Receipts	\$ 1,345,000	\$ 1,345,000	\$ 1,345,000	\$ 1,345,000	\$ 1,345,000
DOT	\$ 158,000	\$ 158,000	\$ 158,000	\$ 158,000	\$ 158,000
Total	\$ 5,280,513	\$ 5,280,513	\$ 5,206,193	\$ 5,180,513	\$ 5,180,513

# Funds & Property Values

Property Type	Property Value	% of Values	Funding	% of Funding
General Fund	\$ 23,320,320,295	65.88%	\$ 3,777,513	71.54%
DOT	\$ 1,057,073,601	2.99%	\$ 158,000	2.99%
UNC Receipts	\$ 11,019,421,045	31.13%	\$ 1,345,000	25.47%
<b>Total</b>	<b>\$ 35,396,814,941</b>	<b>100%</b>	<b>\$ 5,280,513</b>	<b>100.00%</b>



## Program Objective/Measure

- Fully distribute available funds to appropriate gov't unit/FD
- All Grant Funds provided to local municipalities and Fire Districts for compensation in lieu of taxes
- No personnel expenses taken from Grant funds
- Uncompensated DOI staff time for Fund administration:
  - Verifying properties that have not been assigned a fire district
  - Requesting fund transfers from UNCGA and DOT for their portion of the funding
  - Running database reports and cleaning data in preparation for the fund distribution
  - Processing & mailing checks for distribution
  - Responding to requests re: funding amounts and distribution



## **Policy Issues/Concerns:**

- Local Fire Department operations supported by local tax base
- State does not pay property taxes on State properties to local municipalities
- Grant funds support Fire Departments' emergency response to protect State Assets
- Inadequate Grant funds may jeopardize local response to State assets

# *Achieving Program Objectives and Performance*

Funds distributed to fire departments pro rata based on:

- Total insurance replacement values of the State-owned buildings in each fire department's jurisdiction relative to total of all state-owned building replacement values
- Minimum payment to individual fire department is \$50
- Funds fully disbursed in annual payments to each eligible fire department
  - Small amount retained to adjust for application inaccuracies



# Accounting of all Sources of Funds

State Fire Protection Grant Fund		
GS 58-85A-1		
Cost Center - 15001568		
Funding Source	SFY 2014	SFY 2015
Requirements	5,280,513	5,280,513
	Actual Revenue	Actual Revenue
DOT Highway Fund	158,000	158,000
UNC Receipts	1,345,000	1,345,000
Appropriations	3,777,513	3,777,513
Total Actual Revenue	5,280,513	5,280,513



## Consequences of discontinuing funding or continuing funding with a source other than DOT funds

- Elimination of Highway Funds could harm emergency response support to local Fire Districts
- Several issues could arise should this funding be eliminated or reduced, including; but not limited to:
  - Local Fire Districts could be negatively impacted by the reduced amount of funds to support their activities. This could potentially result in a **lower fire rating for individual Fire Districts and increased property insurance rates.**
  - **Local Fire Departments may eliminate their response to DOT facilities or State Owned facilities** because:
    - No funding for the emergency response (no property tax revenue)
    - Could cause higher reinsurance premiums for the State Property Fire Insurance Fund
- Continuing funding from another source could maintain State-owned property coverage without negative impact on local fire response





## Recommendation for improving services

**Adjust Grant funds to account for inflation, current property values, and average service demand on fire departments**

- 1983 – \$1,450,000 appropriation

After adjusting for inflation and increase in current property values:

- 2016 – \$17,167,455 total Grant Fund amount

After adjusting above figure based on average service demand for a representative sample of the fire departments, approximate total annual fund needs:

- \$9,100,000

Based on existing funding ratios:

- |                |                      |
|----------------|----------------------|
| • General Fund | \$6,510,140 (71.54%) |
| • UNC Receipts | \$2,317,770 (25.47%) |
| • Highway Fund | \$ 272,090 (2.99%)   |



## Recommendation for improving services

Two approaches to adjusting funds:

1. Compare past compensation rates
  - Current rate = \$.00014918 per dollar of property value protected
  - Original rate = \$.00485 per dollar (1983)
  - Applying original rate to current property value = \$17,167,455
2. Approximate each fire department's cost to protect State-owned property in their service area
  - Compare the fire department's service demand (annual share of service calls) for State-owned property to the fire department's total service demand for all properties in its jurisdiction
  - The average of these service demand calculations indicated the compensation amount should be about 1.6 times the amount of the appropriations in G.S. 58-85A-1(c)
  - Based on this cost approximation, the amount of annual compensation the service demand sample would require is \$9,100,000 (\$5,683,000 x 1.6)



## **Policy issues to be brought to the attention of the General Assembly**

- The State Fire Protection Grant Fund appropriations should be reallocated each biennium to match the State-owned property values supported by each funding source.
- The grant amounts identified in G.S. 58-85a-1(c) should be appropriated each year
  - If the amount appropriated from the General Fund in any given year is less or more than the amount stipulated in G.S. 58-85a-1(c), the amounts from the other funding sources could be adjusted proportionately to maintain equity for the funding sources.



## **Policy issues to be brought to the attention of the General Assembly**

- Additional source(s) of funding could be provided to cover property values for State assets in agencies that are receipts supported (but not by University receipts or the Highway Fund).
- As an alternative to providing additional funding sources, increase flexibility in use of funds by deleting the last sentence of G.S. 58-85a-1(c). This flexibility would facilitate use of funds for protection of the widest range of State-owned properties.